

I am a taxpayer with a limited income involved in a tax dispute with the Internal Revenue Service (IRS), what should I do?

The Low Income Taxpayer Clinic (LITC) helps represent low income taxpayers involved in controversies with the IRS and provides tax education and outreach. Clinics may not charge for their services or may charge only a nominal fee. LITCs help low income taxpayers resolve tax disputes, protect and preserve taxpayer rights and assist English as a Second Language taxpayers understand and obtain proper tax benefits. The LITC located in Montana is:

Low Income Taxpayer Clinic
Montana Legal Services Association
304 North Higgins Avenue
Missoula, MT 59802
Telephone Number: (406) 543-8343
Fax Number: (406) 543-8314

What is the Taxpayer Advocate?

The Taxpayer Advocate Service is an independent organization within the IRS that provides a system to ensure that tax problems that have not been resolved through normal channels are promptly and fairly handled. The goals of the Taxpayer Advocate Service are to protect individual taxpayer rights and to reduce the taxpayer's burden. The National Taxpayer Advocate Helpline is 877-777-4778. The Montana Taxpayer Advocate Office is located at:

Taxpayer Advocate
10 West 15th St.
Suite 2319
Helena, MT 59626
Phone: 406-441-1022
Fax: 406-441-1045

Who do I talk to about a complaint or suggestions to improve the IRS?

Many people don't realize there is a group of citizens called the Taxpayer Advocacy Panel, made up of citizens who want to improve the way the IRS works. Volunteers are appointed by the Secretary of the Treasury and are independent of the IRS. When you bring your ideas into the panel, you are bringing them into a completely unbiased group. The goal of the Panel is to make sure the IRS is responsive to suggestions and works more effectively for all taxpayers. For more information call 1-888-912-1227 with your suggestions, or visit their online site at www.improveirs.org.

Which form do I choose – 1040EZ, 1040A or 1040?

If you are filing a federal income tax return on paper the IRS advises you to use the simplest form you can. The simplest is Form 1040EZ. Form 1040A covers several additional items not addressed by the EZ. Form 1040 should be used when itemizing deductions and reporting more complex investments and other income. Beginning in 2004, the income limit for using Forms 1040EZ and 1040A has increased to taxable income of less than \$100,000, up from previous years' limit of less than \$50,000. If you still have question visit the IRS Web site at www.irs.gov or by calling toll free 1-800-TAX-FORM (1-800-829-3676).

General guidelines to help you determine which form to use:

1040EZ

- Taxable income below \$100,000
- Single or Married Filing Jointly
- Under age 65
- No dependents
- Interest income of \$1,500 or less

1040A

- Taxable income below \$100,000
- Capital gain distributions, but no other capital gains or losses
- Only tax credits for child, education, earned income, child and dependent care expenses, adoption, elderly and retirement savings contributions
- Only deductions for IRA contributions, student loan interest, educator expenses or higher education tuition and fees
- No itemized deductions

1040

- Taxable income of \$100,000 or more
- Itemized deductions
- Self-employment income
- Income from sale of property

I own a business and need a number for business related tax questions.

For business tax questions, please call the Business Tax Line at 1-800-829-4933.



For more information
check my website:

<http://burns.senate.gov>

or check the website of the
U.S. Department of the Treasury:

<http://www.ustreas.gov/> or
<http://www.irs.gov>



U.S. SENATOR
Conrad Burns

TAX UPDATE
Questions & Answers

As another new tax season begins, I am pleased to announce updates and highlights to assist you in filing your 2004 tax returns. Major 2004 tax achievements include the passage of the American Jobs Creation Act and an extension of the Working Families Tax Relief Act, which have already benefited many Montana taxpayers.

Jobs Creation Act

Passage of the Jobs Creation Act helps Montana farmers and ranchers, through a provision pertaining to drought-related sale of livestock. A taxpayer can postpone the capital gain on the sale of the excess livestock for four years if he or she elects to use proceeds of the sale to acquire replacement livestock. Previously, the capital gains deferment was limited to two years. If the livestock are not replaced during the four-year period, he or she can postpone the gain on the excess weather-related livestock sales from the year of sale to the year after the sale by filing amended returns. This provision applies to any taxable year for which the due date of the return is after December 31, 2002.

This provision also permits taxpayers to replace livestock with other farm property if, due to drought, flood, or other weather-related conditions, they are not able to reinvest the proceeds in property similar or related in use to the livestock they were forced to sell.

The Jobs Creation Act also had an impact on U.S. trade law. The World Trade Organization (WTO) declared that U.S. trade law did not comply with WTO standards. As a result, the WTO then

authorized the European Union (EU) to impose \$4 billion of escalating retaliatory duties on over 1,600 U.S. exports. The final passage of this legislation (H.R. 4520) went through on October 11, 2004, bringing the U.S. into compliance with international standards. President Bush signed the legislation on November 5, 2004.

Working Families Tax Relief Act

In September of 2004, Congress enacted and I supported the Working Families Tax Relief Act. This Act affects taxpayers subject to the alternative minimum tax (AMT), the marriage tax penalty, and the child tax credit.

The AMT, originally designed to ensure the wealthiest American paid their share of federal income taxes, has increasingly hit middle-income taxpayers. These tax extensions will prevent the alternative minimum tax from rising and will save middle-class taxpayers from bearing this significant financial burden. Further relief is needed, and I will be looking closely at various proposals during the 109th session of Congress to ensure protection from the AMT for a greater number of taxpayers.

Families with children will benefit from the extension of the \$1,000-per-child tax credit and marriage penalty relief. Without these extensions, families would see the child tax credit decline and a reintroduction of the marriage penalty, which were both set to expire at the end of 2004.

Another provision of the Working Families Tax Relief Act (WFTRA) extended the widened 10% tax-rate bracket through 2010. On October 4, 2004, President Bush signed the Working Families Tax Relief Act into law.

Estate Tax Repeal

On February 17, 2005, I co-sponsored a bill to make the repeal of the estate tax permanent. Current laws call for a death tax that can reach over 50 percent of the total value of the estate

on all inherited assets. For families that own small businesses or ranches, this is an unfair burden. Every family works hard to sustain a legacy for the future of their children and the generations to follow, and should not be subject to burdensome taxation. I will continue to support this repeal and keep Montana estates in the hands of those who built them.

TAX FAQs

The January Montana Department of Revenue publication, Rev-a-News, stated: “More than 80% of Montana wage earners receive a state tax refund each year.” Nationally, more than 70% of people who file federally are due a refund. In the following, you will find frequently asked questions and answers to assist you when filing your return.

How do I figure out my taxable income?

Your employer should provide a W-2 form showing your total income and withholding for the year. Total the wage and salary amounts reported on all your W-2 forms. Enter the amount on the appropriate line for wages, salaries, and tips on your tax return. Also enter the federal income tax withheld from all your W-2 forms found in Box 2 of your W-2 form. Enter the total federal income tax withheld on the line for withholding on your tax return.

How do I file my tax returns?

When filing your return, use the peel-off label included in your tax package. If you did not receive a tax package with a label, print or type your name, address, and Social Security Number in the space provided.

Be sure to attach the W-2 form and the 1099-R form that show federal income tax withheld to the front of the return.

If you owe tax, make your check or money order payable to the United States Treasury, and enclose it with your return. On the front of your check or money

order, please show your name, address, social security number, daytime phone number, the tax year and type of form you are filing. Do not mail cash with your return. You can also use a credit card to pay the tax due by calling 1-800-2PAYTAX (1-800-272-9829).

Where do I file my tax return?

Mail your return to the address given in the tax form instructions for the area where you live. If possible, use the pre-addressed envelope that came with your booklet. If you are mailing a payment or owe tax, follow the instructions in your tax package.

Where is my refund?

To find out when your refund will arrive, you will need the following information: Social Security Number or your IRS Taxpayer Identification Number (TIN); filing status, and your refund amount. Either call 1-800-829-1954 or use this website: <https://sa.www4.irs.gov/irfof/lang/en/irfofgetstatus.jsp>. To ensure a speedy refund, you may elect for an electronic deposit; all that is needed is your account and routing number from you checking account.

What do I do if I haven't filed a return?

Regardless of your reason for not filing, you should file your tax return as soon as possible. Failure to file your return on or before the due date may result in penalties and interest. However, if you filed on time but did not pay in full, you will be subject only to the failure to pay penalty. Interest is charged on taxes not paid by the due date; even if you have an extension of time to file. Interest is also charged on penalties. For answers to your tax questions, information about payment arrangements, or any other tax-related inquiry, call 1-800-829-1040.

Who must file a tax return?

Federal tax returns must be completed when your income is above a certain level. General income thresholds for filing federal tax returns:

Single	\$ 7,950
Head of Household	\$10,250
Married Filing Jointly	\$15,900
Married Filing Separately	\$ 3,100
Qualifying Widower (with dependent child)	\$12,800

Generally, a person who is self-employed must file a tax return if his or her net earnings from self-employment for the year exceed \$400. Individuals who do not earn enough to be required to file a tax return may be eligible for an earned income credit up to \$2,604 for a taxpayer with one qualifying child and \$4,300 for a taxpayer with two or more qualifying children. Some individuals who do not have a qualifying child may be eligible for a credit of up to \$390. However, you must file a return to receive the Earned Income Tax Credit. You must also file a return if you received any advance payments of this credit while you worked during the year.

I need help filing my return and I can't afford professional assistance, what should I do?

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who cannot afford professional assistance. VITA volunteers help prepare basic tax returns for taxpayers with special needs, including persons with disabilities, those with a low to limited income, non-English speaking persons and elderly taxpayers. See insert for a site nearest you.